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## THE GENERAL FINANCIAL SITUATION

An interesting statement was given out at Ottawa last week regarding the maturities of the funded debt of the Dominion arising as a result of the war and additional borrowing during the war period, although not for war purposes. The total maturities in the next seventeen years, to December 1st, 1937, is \$2,127,481,800. Whether this an absolutely complete list of maturities of government debt in this period is not clear, although it seems to us probable that there are other maturities in this period of loans floated prior to 1914. Taking the figures as they are, however, some useful deductions may be drawn therefrom. One satisfactory feature is that no heavy maturities are imminent. In the fiscal year 1921-1922, only \$40,000,000 matures, and it is not until December 1st, 1922 that a really heavy maturity for \$194,842,100 has to be dealt with, followed by one of \$194,881,800 in 1923, and another of \$106,365,100 in 1924. In the longer future, maturities are fairly light with 1933 and 1934, when the loans maturing total \$483,081,250 and \$488,360,100 respectively, followed by nearly \$350,000,000, in two instalments, in 1937.

The point of real interest at this time is as to the methods which will be adopted in dealing with the \$535,000,000 of funded debt which matures in the next four years. Obviously, capabilities in this respect are dependent upon circumstances as well as upon policy, and the ingenious calculations which have appeared in the daily newspapers showing how the Dominion's War Debt is to be wiped off entirely by 1937 are quite childish and valueless. It may be, though we are somewhat sceptical as to that, but whether it will be depends upon a very large variety of circumstances. The present policy of the Minister of Finance is very rightly directed towards the problem of making ends meet in the national finances, and of creating an annual surplus of revenue, which will be available for the redemption of debt; in national affairs, as in personal affairs, the only way to save money is to spend less than you receive. Assuming, however, a policy of rigorous economy in Government expenditures in the next three or four years,

combined with a concurrent policy of high taxation in order to produce heavy revenues, it is at least doubtful if sufficient surplus revenues will be obtained in the next four years to enable the repayment of loans falling due within that period without extensive refunding operations. The character and extent of these refunding operations clearly is dependent upon developments between now and the dates of maturity. Surplus revenues may be sufficient to enable the Finance Minister in the interim to make substantial purchases of the maturing bonds—it is to be hoped that they will be. The character of the money market may have changed to such an extent that the Minister may be able to refund at a substantially lower interest rate than that presently paid. Again, it is to be hoped that such will be the case, although we think there are substantial grounds for the opinion that interest rates will continue high, owing to the demand for capital the world over, for some years to come. In any event, exactly what will be possible in the way of repayment of debt can only be established at the time it is necessary to make arrangements for refunding.

It is to be borne in mind also that while, of necessity, a policy of rigorous economy is presently in order in regard to Government expenditures, in the interests of the growth and development of the country, it will not be possible to postpone indefinitely the construction of various new public works, not necessarily of a reproductive character, which will curtail new borrowing. As regards taxation, a definite trade reaction, such as is now in process, will ultimately have an effect upon the productivity of taxation. Customs dues, the sales tax, profits and income taxes will show a tendency to decline. The effects of the present reaction in this connection cannot at present be judged. With a revival of trade activity and the ultimate growth and development of the country, also, taxpayers will begin very naturally to ask for some lightening of their burdens. The most likely source, indeed, of lightening of taxpayers' burdens is through an increase in the population and industrial activity of the country, but the prospects in this connection, while hopeful, are indefinite.